

INDEPENDENT FIRMS: THE LAST MOHICANS FIGHT BACK

By Laurent Marliere & Sam Hemamda

The impact of globalisation has put forward the US and UK firm model worldwide. For most European continental firms, the question is not “to be independent or not”? but “to be anglo-saxon or not”?

We have conducted a survey among the top independent law firms in Europe and our report on three symbolic countries illustrates that Europe remains a “Legal patchwork”.

Reasons to remain independent

According to the survey, the main reasons to play the independency card are to keep the decision-making process local, to maintain a strong firm culture, to select it's partner firms and lawyers on an ad hoc basis rather than be obliged to look up a certain colleague from the firm's directory, to receive referrals from foreign independent firms or international firms, to avoid the bureaucracy and red tape likely to be generated by large international firms and to keep fees at their lower domestic levels to compete in their market.

Reasons to join an international firm

Law firms generally integrate with an international firm for the sake of costs (independent firms are unable to refuse an attractive financial offer and are bought out), to achieve a higher level of competitive advantage in their area of practice, to increase their international workload (some independent law firms are consulted for domestic work exclusively), to be short-listed by large transnational corporations, to raise the profile of their clients and their deals, to grow in size, to manage the fallout of internal conflict, to implement or acquire a more sophisticated business model, a strategy or brand.

France: Can the résistance win the war?

The French paradox is that 10 years ago, France was the country that was the most reluctant to open its borders to foreign lawyers. Today, it has one of the highest densities of anglo-saxon firms in Europe after London. This phenomenon can be attributed to the absence of business plans in many French firms in the 90's, linked to massive investment from Anglo-Saxon firms in Paris - for many American firms investing in Europe, it made more sense to develop a presence in Paris rather than London where the market was close to congestion.

Two symbols of the French résistance are Gide and Jeantet. Gide has resisted many appealing offers to join the magic circle and is today one of the rare non anglo-saxon firms to have developed an international network with a solid presence in Eastern Europe, Asia and even London. Resulting in a mini battle of Hastings that consumed French pride shaken up for a decade. If Gide represents the French establishment, Jeantet is an evidence of Paris' legal renewal. Jeantet long suffered from its move out of its “Alliance” with Linklaters. The phoenix rose from the ashes and with a young and ambitious partnership, Jeantet remains on the path of independency. Other young firms like De Gaulle Fleurance, Fromont Briens show that there is a French revival keen to develop a “best friends” policy when it comes to international relations.

Profitable boutiques like Darrois Villey and Bredin Prat were clever enough to stay away from global firms and benefit from many deals in the M&A and IPO sector. Other full service firms like UGGC, Lefèvre Pelletier, Bignon Lebray or DS Avocats all have a strategic positioning but are keen to keep a tricolour flag on the roof of their offices.

Independent French firms will certainly not win the war of globalisation in a universe that has showed little interest for civil law. However, some can definitely benefit from an autonomous position.

Brussels : International Property

Our survey reports there are 53 US firms present in the capital of Europe. This presence varies from a ‘one resident partner’ office to a 70 lawyers practice. The purpose for many foreign firms investing in Brussels was originally to hand hold their clients through Euro-lobbying and advise them on EU and competition law. About a third of these foreign firms have now developed a “Belgian” practice to serve local clients. The importance of having a presence in Brussels re-inforces the fact that there are few large firms which can claim to be truly independent.

Independent firms in Brussels can be classified in 3 categories: (1) the ‘loners’ (2) the Benelux firms (3) the niche firms.

The ‘loners’ are firms that have specifically opted for a system of ‘best friends’ and isolate themselves from magic circle firms. Eubelius has gained substantially with this strategy and has been able to compete with Linklaters, Allen & Overy and Cleary Gottlieb on many large deals in 2005. Former Big Four firms like Lawfort and Lontings are currently consolidating

their independency model. Liedekerke, once in the Brussels Top 3, sticks to a 'Best friends' system. As does non-integrated firm Janson Baugniet.

Benelux firms Stibbe, Nauta Duthil and Loyens have a presence both in Amsterdam and Brussels. Although Stibbe live in a ménage à trois with Herbert Smith and Gleiss Lutz, the firm can also be found in the independent Benelux firm segment of our survey as the cooperation between these three is more allied to an advanced 'best friend' system than to an integration. Long considered as Amsterdam younglings, the Brussels offices of these firms have gained in power and independency. Finance and client base are much more autonomous than they were 5 years ago.

Niche firms like Van Bael & Bellis, Taquet Clesse van Eeckhoutte and Tiberghien have too many obvious benefits to remain their own bosses in their respective fields. They are keen to occupy visible positions in international forums like the IBA, UIA or IFA where 'friendship' can be made with foreign colleagues.

Italy: No mint sauce with pasta

Considering independency, one of the most interesting motions took place in Milan. Italy was one of the last European G-8 countries to generate the interest of Anglo-Saxon firms. When the flow of mergers with US & UK firms hit the peninsular studio legale, it was like a Napolitan wedding: Enthusiasm, family business, clashes and divorces.

Two main factors explain the sudden reaction of large Italian firms to opt out from their international cooperation: the culture gap and the financial structure of the firms. The latter being the most decisive. A culture gap based on individualism also exists in France but has not generated vast secessions as found in Italy. When it comes to finance, many Italian firms are actually more profitable without an international structure; besides, the firms capital shares are usually family owned.

Of course, there have been successful mergers with Italian offices, but unlike other countries, the Top 5 firms remain relatively Italian, forming a sort of oligopoly for transactions in this country.

The firms at the top of the Italian legal tree are all now independent – Bonelli Erede Pappalardo enjoys a rewarding 'best friends' relationship with 4 other top European law firms. Gianni Origoni Grippo & partners once formed part of the framework of the biggest law firm in the world but the cracks soon tore the relationship apart. Carnelutti will soon return to its original roots following the dissolution of its marriage to a Chicago giant – the new pope has his work cut out for him – Tonucci and NCTM are both happy to maintain their Italian heritage and Pavia e Ansaldo – aside from its own internal strife – enjoys a loose connection with Herbert Smith.

Many Anglo-Saxon firms have attempted to romance their Italian counterparts but have more often than not suffered first hand the heart wrenching emotions of unrequited love.

The Italian firms are notoriously independent and very protective over their national identity. The obstacles to successful partnerships have primarily been cultural differences and lack of understanding from Anglo-Saxon firms on how the Italians like to carry out their business.

Many UK firms are reluctant to open practices in Italy and it is therefore left to the heavyweights to be the standard bearers. Norton Rose has enjoyed success in the Italian market as have Allen & Overy and Lovells.

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